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Forum on Transportation Investment

June 28, 2005

Good afternoon everyone. I've been asked to review various finance initiatives that various states are using and considering to use to meet their financial needs for transportation.

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Transportation Finance Initiatives- A National Review




As pointed out by Gary Maring's presentation, the federal government is not going to fully fund projected transportation needs. The states will have to supply the bulk of the money needed.

Many revenue options are being used by other states.

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Advertising on Highways

- Not authorized on Interstate highways
- Used principally on toll roads and bridges
- Revenues dedicated to the same facility
- Not "outdoor advertising"



Advertising on Highways – Limited to toll roads and non-interstate facilities and basically not bill boards, but on buildings, toll booths, etc.

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Advertising on Highways



- New Hampshire-toll booths, ads in monthly statements
- Florida-ads and signs on toll booths

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Auto Registration Fees


- Assessed at the state and/or county level
- Property tax or registration fee



Auto Registration fees – sometimes used to fund specific types of projects-corridor preservation, ferry system, etc.

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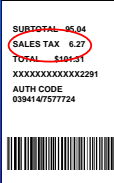
Auto Registration Fees



- Utah-\$10/ vehicle authorized for right of way preservation
- Many proposed (South Carolina, Wisconsin, North Dakota)

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General Sales Tax

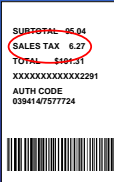


- Assessed by state/county/city government
- A common revenue source for transit projects and operations

General Sales Tax – often used to fund both highway and transit projects. Is a strong means to generate needed funding and is a popular/common source. California legislation authorized county/city to pursue tax initiatives to improve San Francisco bay area needs of \$33 billion.

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General Sales Tax



- Numerous voter initiatives
- A common revenue source for transit projects and operations

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Impact Fees


- Charged per new dwelling unit
- Assessed by cities and/or counties
- Intended to reflect the transportation impact of growth
- Generally dedicated to local projects



Impact Fees – charge an additional fee on new dwellings to cover impact to transportation system. Often used on local projects; somewhat unfair because it doesn’t tax older homes and users.

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Impact Fees



- Riverside County and 14 cities-\$6600/new dwelling unit
- Marshfield, MO-1/2% sales tax for roads
- Nassau Co, FL-\$3000/new dwelling unit for transportation

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Indexing the Motor Fuel Tax




- Allows the MFT to vary based on economic conditions
- States use a variety of means to adjust the MFT (e.g. CPI, wholesale price of fuel, etc.)

Indexing of Fuel Tax – restores purchasing power of revenue raised and is based on the economy. Can use multiple bases to determine when to change the tax, but is somewhat disfavored because once established is driven by the formula rather than lawmakers.

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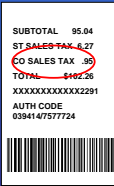
Indexing the Motor Fuel Tax



- PA-adjusted based on wholesale fuel \$
- West Virginia-5% based on wholesale fuel \$
- Nebraska-12.5 cents plus 12.3% variable
- Wisconsin-adjusted yearly for inflation
- Others proposed

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Local Sales Tax

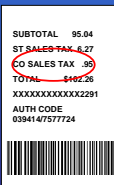


- Assessed by cities and/or counties
- Used for local transportation projects
- Sometimes used for transit projects and operations

Local Sales/Fuel/Property Tax – needs state legislation for authority, but can raise substantial funds for transportation and/or designated projects. Property tax increases usually used for transit funding.

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Local Sales Tax




- Maricopa Co, AZ- 1/2% for roads and transit
- Contra Costa Co, CA-1/2% for roads
- Charleston Co, SC- 1/2% for roads

Tourism Tax – not being used thus far, but could generate local revenue from rental cars, hotels, etc.

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Motor Fuel Tax-Local


- Assessed by city or county
- Option authorized by state statute
- Funds collected used for local and state highways
- Only assessed on gasoline



Motor Fuel Tax – can and has been used in many ways. Usually requires state legislation.

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Motor Fuel Tax-Local



- Florence, OR-3 cents to fund transportation projects
- Florida-five cent local option for local and state roads

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Motor Fuel Tax-Statewide



- Generally assessed on a per gallon basis
- Diesel and gasoline taxes can be different
- Inelastic-declines in value over time

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Motor Fuel Tax-Statewide

- Washington-5 cents in Puget Sound plus 9.5 cents statewide
- Oklahoma-5 cent voter initiative, Fall 2005
- Others proposed



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Property Taxes



- Assessed based on the value of a parcel
- Can be used to fund either transit or traditional road projects
- Assessed on all parcels-not just on new dwelling units

Property Taxes – another traditional way to raise revenue.

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Property Taxes

- Kalamazoo, MI-3 cents per \$100 for transit
- Raleigh, NC-increased this year to fund transportation projects
- Lexington, KY-6 cents per \$100 for transit



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Vehicle Mileage Tax


- Assessed based on the distance traveled by the vehicle
- Replaces the standard motor fuel tax
- Relies on global positioning
- Highly flexible



Vehicle Mileage Tax – assessment based on miles a vehicle travels and replaces fuel tax. Need technology developed and a system to make it fair.

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Vehicle Mileage Tax



- Oregon conducting a pilot study
- California reviewing due to alternative fuel vehicles
- Washington State
- National consideration

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Tolls

- Collected for roads, tunnels and bridges
- Cannot toll the Interstate highway system
- New authorities have been created
- Reflects the fastest growing "new" revenue stream





Tolls – usually new developments, but some roads have added/designated lanes. Effective method for improving congestion. Downtown tolls and other fees for parking are becoming more popular to relieve congestion. Can be used with improved transit systems to be very effective.

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Tolls





- Regional Mobility Authorities (RMA) in Austin and San Antonio
- Joint Powers Authorities (JPA)



Bottom line – Federal money is not going to be there.

For States to be successful in passing tax-raising legislation, they need to establish projects/programs, set a schedule, and include a sunset clause. Additional funding is needed for all transportation modes.

Everything is on the table and should be considered.

Thanks for your time and are there any questions?

Comments: Laws that are already on the books should also be enforced. The evasion of the tax on dyed fuels should be aggressively pursued. Nevada has had a \$20 million gain by working on this type of evasion of taxes. The Idaho IRS office responds to all evasion reports.

Impact Fees could be charged to commercial development, as they often generate and change traffic systems in a big way.